

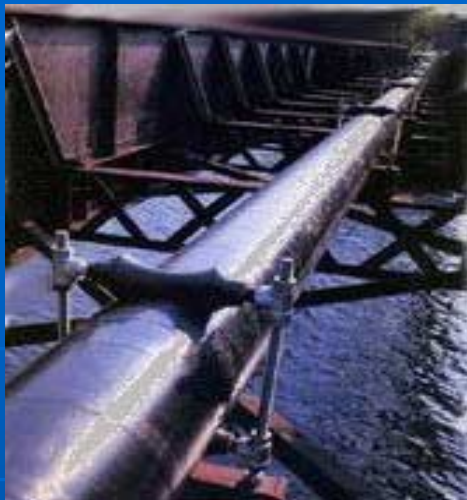
Operator Qualification Public Meeting

March 25, 2003

Mesa, AZ

Contractor Issues

Brad Heck
Director of Corporate Compliance
Miller Pipeline Corporation
Indianapolis, IN



CONTRACTORS HEAR THE SAME OLD STORY

- D.O.T. has no enforcement authority over contractors
- “Since we (Operator) are audited and get the violations, the Contractor will do as we say”.



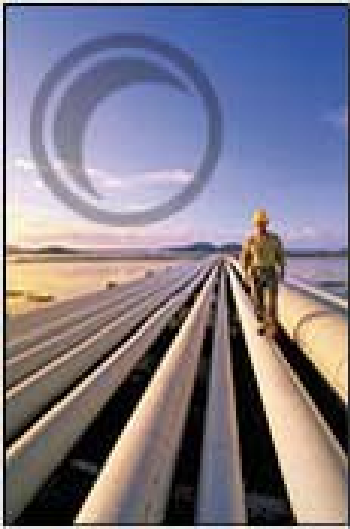
ARB, Inc.

Problem:

Majority of Operators don't have an idea what it TRULY takes to supply the level of service they need, and expect, for the finances they are willing to part with.

On OQ issues, many times
Contractors feel like this man:





Intercon Construction, Inc.

Contractor's Solution to OQ:

**ONE COMMON STANDARD
FOR THE PIPELINE
INDUSTRY
-ALL COMPLY WITH-**



Mears/HDD. L.L.C

Let's Look At the D.O.T. Drug Rule

- ✓ Standardized between ALL Operators/Contractors.
- ✓ Follows Universal Authority for protocol compliance.
- ✓ Criteria/Program Participation is Portable.
- ✓ Even "Playing Field" for Competitors.
- ✓ Audit Process has Prescriptive Expectations/Criteria.
- ✓ Easy Evaluation of Program Effectiveness.



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OQ Today Has Wide Industry Variances & Perspectives

Let's look at some of the D.O.T. Issues/Protocols currently in Negotiation which Effect Contractors the Most:



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D.O.T. Issues/Protocols

➤ Distinction between O & M and New Construction

Contractors typically “over qualify” employees.

Clarification becomes issue when contractor must utilize union hall.

This should not include persons perf. functions off the pipeline (shop).

This issue must be standardized within the industry.

D.O.T. Issues/Protocols



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➤ Incorporation of Additional Covered Tasks

- Contractors typically “over qualify” employees.
- Needs Industry Standardization due to each operator’s “unique” or different covered task list.



Labarge Companies

D.O.T. Issues/Protocols

➤ Justification of Re-Evaluation Intervals

Contractors typically operate on multiple qualification systems due to varying requirements between operators.

Need Industry Standardization for Contractor employee portability issues/timeframes between Operators.



Miller Pipeline Corporation

D.O.T. Issues/Protocols

➤ Reference To Training

Contractors utilize to large degree, O.J.T. as well as some “specialized” job/task specific training.

For OQ matters, need Industry Standardization for Multiple Operator Training Issues.



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D.O.T. Issues/Protocols

➤ Direct Observation of Non-Qualified Individuals

Contractors utilize this criteria until employees can demonstrate their qualifications post O.J.T.

For OQ matters, need Industry Standardization for fixed ratio's and spans of control.



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D.O.T. Issues/Protocols

➤ Acceptable Evaluation Methods (KSA's)

Varying requirements between Operators

- Perf. Evaluation (Jobsite/Simulation)
- Written Test
- Training
- Perf. Test
- Combination

Industry Standardization is Essential.



Labarge Companies

D.O.T. Issues/Protocols

➤ Extent Of Documentation

Operators have different requirements.

- Computer Program(s)
- Written Documents
- Web Based National OQ Entries
- Regional or Association OQ Entries

Industry Standardization is Essential.



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Quick Look

- ✓ Need One Covered Task List.
- ✓ Need Consistency Between Operators.
- ✓ Operators need to accept multiple methods of qualifying & record/document keeping.
- ✓ Operators/Contractors work together-no "Kingdom's"-no "Island's".
- ✓ Unions jump on board and provide "qualified" personnel.
- ✓ Either merge consortiums or accept all.



Snelson Companies, Inc.

The Challenge -Contractors-

- Contractors “doing the right thing”.
- Communicating with operator.
- Keeping informed with the OQ rules/processes.
- Have a plan/compliance process.
- Keep documentation/records for verification.



Intercon Construction, Inc.

The Challenge -Operators-

- Operators acknowledging all the issues Contractors must deal with.
- Establish OQ requirements to achieve cost containment.
- Work together with contractors to reduce time for compliance.
- Equity in enforcement/expectations.
- Flexibility on methodology & Programs.



ARB, Inc.

Meeting the Challenge

- Operator/Contractor Working together:
 - One set of Covered Tasks
 - Same guidelines for acceptance
 - Written, Perf. Eval., Oral exam, Simulation
 - Sharing OQ Plans
 - Portability of Qualifications
 - Training issues
 - Operator Audits



Miller Pipeline Corporation

Full Circle -Business-

Operators Utilize Contractors to help manage infrastructure needs.

Contractors must look at their business as cost/benefit, or risk/reward

For every "Push Down" operating requirement to Contractor, overhead cost rise

= Increase cost to Operator



Snelson Companies, Inc.

Full Circle -Business-

- Good Business requires acceptable return on investment
- Competition for work requires “level playing field”
- Many operator practices counteract competition & work against the concept of getting the “best work done for the best price”



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Industry Example

Wisconsin Utility Association:

- Group of Operators/Contractors
- Work together to truly I.D. REAL issues contractors & operators must deal with in the relationship of getting the work done.
- Standardize processes/tasks.
- Provides TRUE basis for Contractor PORTABILITY between operators.



Gabe's Construction Co., Inc.

Summary

- Industry is at a Critical Juncture.
- Standardized Compliance initiatives are imperative.
- Cost Containment drives win/win scenarios.
- Multiple method/process/consortium acceptance enhances Business Objectives.



Snelson Companies, Inc.

Summary

- Working Together to achieve mutual goals.
- Recognize & Accept issues Contractors must deal with.
- Portability of Contractor Employees provides for Operator "Win" situations.
- Operator "Kingdoms" or "Islands" counteract Business Objectives.

Remember:



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Multiple compliance issues inconsistent between Operators:

- = Higher Contractor Cost
- = Cost passed to Operator
- = Decreased Competition
- = Removal of Operators from Contractors desired lists of Operators
- = Ultimately creates Lose/Lose situations



Gabe's Construction Co., Inc.

THE TIME IS NOW

LET'S WORK TOGETHER TO
ACHIEVE THE GOALS OF
CONGRESS, NTSB, OPS, AND THE
DESIRE FOR PUBLIC PERCEPTION
OF OUR INDUSTRY TO BE THE
SAFE, RELIABLE MEANS OF
ENERGY DELIVERY & USE.